

COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

7671/92 (Presse 138)

1597th Council meeting

- ECONOMIC AND FINANCIAL QUESTIONS -

Brussels, 13 July 1992

President: Mr Norman LAMONT

Chancellor of the Exchequer
of the United Kingdom

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Netherlands:

Mr Wim KOK Minister for Finance

Portugal:

Mr Jorge BRAGA DE MACEDO Minister for Finance

Mr José BRAZ State Secretary, Treasury

United Kingdom:

Mr Norman LAMONT Chancellor of the Exchequer

Sir John COPE Paymaster General

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Commission:

Mr Jacques DELORS President
Mr Henning CHRISTOPHERSEN Vice-President
Mr Peter SCHMIDHUBER Member

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The meeting was also attended by:

Mr Erik HOFFMEYER Chairman of the Committee of
Governors of the Central Banks

Mr José Juan RUIZ Chairman of the Economic
Policy Committee

Mr Jean-Claude TRICHET Chairman of the Monetary
Committee

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MULTILATERAL SURVEILLANCE

Pursuant to the Decision of 12 March 1990 on the attainment of progressive convergence of economic policies and performance during stage one of economic and monetary union, the Council undertook multilateral surveillance of the economies of the Member States and of the economic situation in the Community.

CONCLUSIONS ON THE NETHERLANDS CONVERGENCE PROGRAMME

1. On 13 July 1992 the Council carried out an examination of the Netherlands programme of economic convergence for the period 1992-1994. The Council expressed its strong appreciation of the programme and its commitment to the process of convergence. The Dutch authorities' commendable past record, particularly in the areas of price and monetary stability, was also noted.
2. The Council expressed the view that, against the background of public sector debt ratio markedly above 60% of GDP and a deficit still above 3% of GDP, fiscal consolidation was the key requirement in the conduct of economic policy. The programme aims to reduce the general government deficit to 2,4% of GDP in 1994 and to place the debt ratio on a firm downward path. The Council welcomed the commitment of the Netherlands' authorities to take any further budgetary measures that might be necessary to achieve the targets set. This should include appropriate action if the rate of economic growth led to budgetary revenue shortfalls.

3. Given the high level of the collective burden in the Netherlands, the Council strongly welcomed the strategy for fiscal consolidation to be achieved essentially by controlling expenditure through a planned package of structural reforms. The Council welcomed the emphasis on reductions in subsidies, improvements in public sector efficiency and the transfer of activities to the private sector where possible.
4. The Council expressed the view that a broad and comprehensive approach was necessary to enhance the excessively low labour participation and to tackle the high levels of transfers in the field of social protection. The Council noted the decision of the Netherlands authorities to begin the reform of the system of disability and sickness benefits. The Council considers that the effectiveness of these measures needs to be carefully monitored.
5. The Netherlands has had an exceptional record of price and exchange rate stability. Against this background, the Council was concerned that the recent acceleration of inflation should be reversed at the earliest opportunity. Particular caution is necessary to ensure that the present inflation rate is not translated into higher wages.
6. The Convergence programme only runs up to 1994, the end of the coalition government's term of office. In the view of the Council, however, it is essential that the processes of fiscal consolidation and structural reform are continued beyond 1994. The existing broad consensus on this matter in the Netherlands was welcomed.

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In this connection the Council heard a report from Mr BARUCCI, the new Italian Treasury Minister, on recent economic developments in Italy.

The Council applauded the significant measures undertaken by the Italian Government to contain the 1992 budget deficit and the new approach to step up the privatization process. They represented a first significant step in the convergence process towards a European Economic and Monetary Union.

At the press conference, the President of the Council stressed that the rapid approval by the Italian Parliament of the accompanying structural policy changes proposed by the Government remained essential to redress the disequilibria of the Italian economy.

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RELATIONS WITH EASTERN AND CENTRAL EUROPE AND THE FORMER SOVIET UNION

- Emergency medical action for the CIS States
- Financial assistance to Albania

The Lisbon European Council had agreed that urgent action had to be initiated in order to provide emergency medical assistance for the CIS States by using a suitable part of the loan of ECU 1 250 million.

The European Council had also expressed its willingness, within the framework of the G-24, to pursue joint international action to assist the balance of payments of Albania, in particular, in view of the continued financing needs in that country which were covered neither by international financial institutions nor by public and private interventions.

Anxious to put such policy swiftly into action, the Council discussed both topics and recorded its agreement on the following conclusions:

A. Utilization of the loan of ECU 1 250 million to the former USSR

1. The Council takes note of the decision taken by the European Council in Lisbon to initiate emergency medical action to assist the independent States of the former Soviet Union, using an appropriate share of the loan of ECU 1 250 million.
2. It notes that nine of those States have satisfied the conditions for eligibility for the Community loan drawn up by the Council on 16 March 1992 and welcomes the signing of the contracts and Protocols of Agreement. The signing of these texts will allow the States in question to receive rapidly the product of the loan and in particular the share agreed upon for the importation of medical and pharmaceutical supplies.

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3. The Council regrets that the negotiations with Russia on the guarantees to be supplied to ensure adequate legal security have not yet achieved their object. Russia may not therefore at this stage receive the part of the loan earmarked for it. The Council requests the Commission to continue its endeavours to reach a satisfactory outcome of the negotiations on this point and to report to it in good time before its meeting on 28 September.

However, in order to provide the people of Russia with emergency medical assistance, as the European Council in Lisbon wished, the Council requests the Commission to place a proportion of the amount of the loan earmarked for Russia at that country's disposal by means of a direct loan from the Community to the Vneshekonombank (VEB), under the Decision of 16 December 1991, drawing the Bank's attention to the need to be up-to-date with its debts repayments. The loan must be used solely for importing medical and pharmaceutical supplies. The grant of the loan must be carried out in accordance with that Decision and be accompanied by an adequate guarantee on the part of the Russian government. The maximum amount of the loan will be ECU 150 million; the exact amount will be determined by the Commission, after careful consideration of what is required and in liaison with the Committee set up by the Council Decision of 16 December 1991.

It is understood that this emergency measure is exceptional in nature and in no way prejudices the conditions attaching to any further loan to Russia under the Decision of 16 December 1991.

4. The Council requests the Commission to continue its talks with Azerbaijan and Uzbekistan with a view to persuading them to accept joint and several responsibility for the former Soviet debt. If this is not achieved swiftly, the

Commission will advise the Council of any initiatives to be taken.

B. Financial Assistance to Albania

The Council notes the request from Albania for G-24 financial assistance to fill the financing gap of \$165 million for the period July 1992 to June 1993 identified by the IMF.

The Council decides to provide financial assistance to Albania in the form of a grant. In the light of the advice of the Monetary Committee on the creditworthiness of Albania, it believes that this solution is more appropriate than a loan.

The grant will be of ECU 35 million, representing approximately 50% of the residual financing needs identified by the IMF for the period to the end of 1992. The grant will be provided once the stand-by arrangement between Albania and the IMF has been agreed.

The Council supports the intention of the Commission to finance the grant from the 1992 budget as follows:

- (a) ECU 10 million by increasing the EAGGF element of the ECU 120 million emergency aid package proposed for Yugoslavia, thus releasing an equivalent amount in the PHARE programme;
- (b) ECU 25 million pre-financed from the 1992 PHARE budget.

Decisions will be taken at a later stage on how best to replenish the ECU 25 million provided in the form of pre-financing before the end of the year. The Commission indicates

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that it intends to propose a reconstitution of the ECU 25 million pre-financed from the 1992 PHARE budget if necessary by increasing the PHARE budget accordingly, following a revision of the financial perspectives.

The Council will decide at a later stage on a further tranche of financial assistance from the 1993 Budget on the basis of a Commission report on Albania's progress in implementing the terms of the IMF stand-by arrangement and the advice of the Monetary Committee.

The Council urges the other G-24 member countries to provide adequate financing support for Albania.

DELORS II PACKAGE

The Council held a broad exchange of views based on a letter from the President and a Presidency note dealing with the main issues outstanding after the Lisbon European Council.

The Council called upon the Permanent Representatives Committee to continue work on the various aspects of the Delors II Package, and to submit a full report to it at its meeting on 28 September.

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MISCELLANEOUS DECISIONS

Relations with Hungary, Czechoslovakia and Poland

The Council adopted the Regulations implementing Protocol No 3 to the Interim Agreements concluded with the above States; the purpose of those Regulations is to implement for 1992 the reduction in the variable components for processed agricultural products as provided for in those Interim Agreements.

Coffee Agreement

The Council adopted the Decision concerning notification of the acceptance by the Community of the 1983 International Coffee Agreement, as extended to 30 September 1993.

Relations with the OCT: Rum

Pursuant to Decision 91/482/EEC on the association of the overseas countries and territories with the EEC, and in particular Annex V (Rum) thereto, the Council adopted a Regulation determining for 1992/1993 (1 July 1992 to 30 June 1993), a tariff quota free of customs duties for rum, arrack and tafia originating in those countries and territories, in respect of an amount of 15 000 hectolitres of pure alcohol.

Relations with the ACP States: STABEX transfers for 1991

The Council was informed by the Commission, which runs the STABEX system, that for 1991 the system's resources were insufficient to cover all transfer entitlements (shortfall of approximately ECU 640 million). It agreed to suggest to the ACP States that part of this shortfall should be made up by allocating to them a maximum additional amount of ECU 75 million. Such an amount would be made available by an exceptional drawing on

the system's resources for 1993 and 1994.

The ACP-EEC Committee of Ambassadors would be asked to decide on this proposal on 16 July 1992.

Anti-dumping - Taiwan

The Council adopted the Regulation repealing Regulation No 2464/77 imposing a special duty on imports of certain nuts of iron or steel originating in Taiwan.

Turkey

The Council adopted the Regulation opening and providing for the administration of a zero-duty Community tariff quota for apricot pulp originating in Turkey. This quota is for 90 tonnes and covers the period from 1 July 1992 to 30 June 1993.

Andorra

The Council recorded its agreement to the draft Decision amending Decision No 7/91 of the EEC-Andorra Joint Committee. The purpose of this Decision is to extend the derogation provided for in Decision No 7/91 on products covered by CN Code 1704 90 51 (pastes, including marzipan) to products presented in packaging with a net content of less than 1 kg, which Andorra is interested in exporting. The annual quantity laid down for this derogation is maintained at 5 000 kg.

Civil aircraft - Agreement between the European Economic Community and the United States of America

The Council adopted the Decision on the conclusion of an Agreement between the European Economic Community and the United States of America on trade in large civil aircraft.

This Agreement broadly corresponds to the objectives set out in the negotiating directives which the Council had given the Commission in February 1991.

In particular, the scope of the Agreement is confined to large capacity civil aircraft. In addition, the Agreement defines the disciplines to be observed by both parties regarding both direct and indirect aid. The Agreement also provides for the transparency needed for its smooth operation, as well as measures to resolve disputes and trade conflicts. Lastly, both parties reaffirmed their wish for the GATT Agreement on Trade in Civil Aircraft to be revised in order to include similar disciplines to those stipulated in the EC-US Agreement.

Appointments

The Council replaced:

- an alternate member and

- three members

who had all resigned from the Advisory Committee on Vocational Training.



Bruxelles, le 13 juillet 1992

NOTE BIO(92) 187 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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ECO/FIN COUNCIL - 13 JULY 1992 (T. KRØYER)

MULTILATERAL SURVEILLANCE

After the multilateral surveillance procedure, which took place in restricted session, Vice-President Henning CHRISTOPHERSEN said that there was agreement in the Council to maintain a strategy based on :

- stabilisation of the fiscal situation including cutting excessive deficits in a number of countries and persueing an anti-inflationary policy. Such policies will make it possible to lower the rate of interest;
- implementation of structural measures in areas such as labour market, competition policy, state aid and the internal market.

THE NETHERLANDS CONVERGENCE PROGRAMME

The Council carried out an examination of the Netherlands programme of economic convergence for the period 1992-1994. The Council expressed its strong appreciation of the programme and its commitment to the process of convergence. The Dutch authorities' commendable past record, particularly in the areas of price and monetary stability, was also noted.

The Council express the view that, against the background of public sector debt ratio markedly above 60% of GDP and a deficit above 3% of GDP, fiscal consolidation is the key requirement in the conduct of economic policy. The programme aims to reduce the general government deficit to 2.4% of GDP in 1994 and to place the debt ratio on a firm downward path. The Council welcomed the commitment of the Netherlands' authorities to take any further budgetary measures that might be necessary to achieve the targets set.

Given the high level of the collective burden in the Netherlands, the Council strongly welcomed the strategy for fiscal consolidation to be achieved essentially by controlling expenditure through a planned package of structural reforms.

The Council expressed the view that a broad and comprehensive approach was necessary to enhance the excessively low labour participation and to tackle the high levels of transfers in the field of social protection. The Council noted the decision of the Netherlands authorities to begin the reform of the system of disability and sickness benefits. The Council considers that the effectiveness of these measures needs to be carefully monitored.

The Netherlands has had an exceptional record of price and exchange rate stability. Against this background, the Council was concerned that the recent acceleration of inflation should be reversed at the earliest opportunity. Particular caution is necessary to ensure that the present inflation rate is not translated into higher wages.

The Convergence programme only runs up to 1994, the end of the coalition government's term of office. In view of the Council, however, it is essential that the processes of fiscal consolidation and structural reform are continued beyond 1994. The existing broad consensus on this matter in the Netherlands was welcomed.

BALANCE OF PAYMENTS ASSISTANCE TO ALBANIA

The Council took note of the Albanian demand to the G-24 of a financial assistance of 165 mio \$ for the period July 92 to June 93.

The Council decided to grant a financial assistance not to be refunded of 35 MECU for this year. This will be constituted by

- a prefinancing of 25 MECU from the PHARE budget
- 10 MECU to be made available by PHARE budget provided that the part of the envisaged Yugoslav humanitarian assistance to be financed directly from FEOGA Guarantee would be increased from 62.5 MECU to 72.5 MECU.

The Council will later decide how to reconstitute the 25 MECU. The Commission declared that it intends to propose - to the extent it is needed - the reconstitution of the 25 MECU financed by the 92 PHARE programme.

The Council will later decide on a supplementary financial assistance to be included in the 93 budget.

The Council invited the other members of the G-24 to grant a similar assistance to Albania.

150 MECU LOAN TO RUSSIA

The Council took note of the European Council decision to initiate emergency medical action to assist CIS using an appropriate share of the loan of 1.250 MECU.

It will be recalled that negotiations with Russia on the guarantees to be supplied to ensure adequate legal security have not succeeded. Russia may not therefore at this stage receive the part of the loan earmarked for it. The Council decided that a loan of maximum 150 MECU covered by adequate guarantee on the part of the Russian Government be granted from the Community to the Vneshekonombank for importing medical and pharmaceutical supplies.

The Council also requested the Commission to continue its talks with Azerbaijan and Uzbekistan with a view to persuading them to accept joint and several responsibility for the former Soviet debt.

Regards,



B. DETHOMAS

Bruxelles le 14 juillet 1992

NOTE BIO(92)187 (suite 1) AUX BUREAUX NATIONAUX
CC : AUX MEMBRES DU SERVICE PORTE-PAROLE

CONSEIL ECO-FIN DU 13 JUILLET 1992 (Oliver Nette)
PAQUET II

Sur la base d'une lettre du nouveau Président du Conseil, le Conseil a débattu de trois questions principales:

- Est-ce que le budget communautaire peut croître plus rapidement que les budgets nationaux?
- Est-ce qu'il faut relever le plafond des ressources propres (actuellement fixé à 1,2)?
- Est-ce que l'évaluation de programmes existants et la recherche d'économies doivent être approfondi?

Dans le débat, les délégations ont réitéré pour l'essentiel leurs positions antérieures.

Dans son intervention, le Président DELORS a déclaré, chiffres à l'appui, qu'il était impossible "de rester dans l'esprit de Maastricht avec, en 1997, un plafond de 1,2". M. SCHMIDHUBER, commissaire responsable du budget, a insisté sur l'utilité de consulter le plus tôt possible et en tout cas avant le prochain Conseil Européen le Parlement, partenaire d'un nouvel Accord international qui devra être encore négocié.

Amitiés

B. Dethomas



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